

08-0312

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ILLINOIS COMMERCE COMMISSION

STAFF REPORT TO THE COMMISSION

April 23, 2008

ORIGINAL

Subject

Commonwealth Edison Company ("ComEd") Original Cost Audit.

Summary

The April 5, 2006 Interim Order in ComEd Docket No. 05-0597 initiated the original cost audit ("OCA"). The Interim Order also directed Staff, at the conclusion of the OCA, to submit a report and draft initiating order to the Commission to commence a new proceeding to consider the results of the OCA.¹ This Staff Report is presented to the Commission to support initiating that new proceeding.

Background

During ComEd's most recently completed rate case, Docket No. 05-0597, Staff filed a motion requesting the Commission enter an Interim Order directing that the OCA be performed to verify the original cost of ComEd's distribution plant in service balance at December 31, 2004. No party to the proceeding filed an objection to Staff's motion. The Administrative Law Judges granted Staff's motion on March 23, 2006. The Commission entered its Interim Order on April 5, 2006. In the Interim Order, the Commission found that the relief requested in Staff's motion was supported by Staff's testimony. Given that no party objected to Staff's motion, the Commission directed that the OCA be performed. The Commission, through its Interim Order, also directed Staff, at the conclusion of the OCA, to submit a report and draft initiating order to the Commission to commence a new proceeding to consider the results of the audit (the "Audit Docket").²

Discussion

The Alliance Consulting Group ("ACG") was selected as the auditor for this project. Although the Interim Order directed that the OCA be performed to verify the original cost of ComEd's distribution plant in service, ACG, Staff and ComEd mutually agreed to include within the scope of the audit General and Intangible Plant which is part of the delivery system but not part of the distribution system given that the RFP and contract referred to "delivery system plant". ACG completed the audit and submitted its final audit report on December 27, 2007. A confidential version of the audit report has been distributed to the Commission ("OCA Report"). In the OCA Report, ACG recommends that ComEd's plant in service balance at December 31, 2004 be reduced by \$352.3

¹ Interim Order, Docket No. 05-0597, p. 2.

² Ibid.

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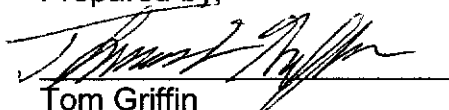
million (i.e., from \$7,220.3 million to \$6.868 million) and makes several other findings and recommendations.

On April 10, 2008, Staff and ComEd entered into a stipulation (the "Stipulation") in Docket No. 07-0566 (ComEd's current rate case) by which, among other things, ComEd agreed to implement in the rate case a \$116.635 million reduction to plant in service based on recommendations contained in the OCA Report prior to conclusion of the Audit Docket. As part of the Stipulation, Staff agreed it would not advocate that any conclusions or recommendations identified in the OCA Report should be adopted or ordered by the Commission in the Audit Docket or that any adjustments identified in the Audit Report should be made except as set forth in the Stipulation. ComEd agreed that it would not object to any Commission decision to initiate a proceeding to consider the results of the OCA or to the intervention of any party in such proceeding, or to conclusions or recommendations implementing those set forth in the Stipulation. The Stipulation was filed on e-Docket in Docket 07-0566, and its provisions relevant to Docket 07-0566 are subject to Commission approval/adoption in its final order.

Recommendation

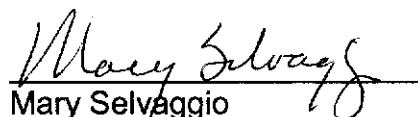
This Staff Report is presented pursuant to the Commission's direction in the Interim Order of Docket 05-0597 to initiate a docket to consider the results of the original cost audit and make a finding to establish the original cost of ComEd's delivery system plant in service at December 31, 2004.

Prepared by,


Tom Griffin
Project Manager

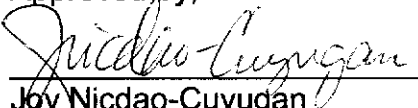
4/25/08
Date

Reviewed by,


Mary Selvaggio
Manager of Accounting

4-28-08
Date

Approved by,


Joy Nicdao-Cuyugan
Director of the Financial
Analysis Division

4-28-2008
Date